

**INSTITUTE FOR HUMAN RESOURCES
AND SERVICES, INC.**

YEARS ENDED JUNE 30, 2017 AND 2016

INSTITUTE FOR HUMAN RESOURCES AND SERVICES, INC.
YEARS ENDED JUNE 30, 2017 AND 2016

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Certified Public Accountants

Officers/Shareholders

William R. Lazor, CPA/PFS, CFE
Deborah A. Eastwood, CPA
Kevin R. Foley, CPA
William Fromel, CPA
Mario Ercolani, CPA
Anthony R. Caravaggio, CPA
Ronald H. Ulitchney, CPA
Louis E. Marcin, CPA
Jason C. Williams, CPA

INDEPENDENT AUDITORS' REPORT

Donald M. Kronick, CPA
Joseph J. Kalada, CPA
Paul Berdy, CPA

Board of Directors
Institute for Human Resources and Services, Inc.
Kingston, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the Institute for Human Resources and Services, Inc., which comprise the statements of financial position as of June 30, 2017 and 2016 and the related statements of activities, program and supporting activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Institute for Human Resources and Services, Inc., as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary data as shown on pages 13 to 16 is presented for purposes of additional analysis as required by the grantors and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 3, 2018 on our consideration of the Institute for Human Resources and Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Institute for Human Resources and Services, Inc.'s internal control over financial reporting and compliance.

Kronick Kalada Berdy & Co. PC

Kingston, Pennsylvania
February 3, 2018

INSTITUTE FOR HUMAN RESOURCES AND SERVICES, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets:		
Cash	\$ 290,297	\$ 349,415
Accounts receivable	728,164	664,176
Prepayments	69,223	30,270
Other assets	<u>20,000</u>	<u>20,000</u>
Total current assets	1,107,684	1,063,861
Land, buildings, and equipment, net	<u>1,408,887</u>	<u>1,474,750</u>
Total assets	<u>\$2,516,571</u>	<u>\$2,538,611</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 348,610	\$ 472,584
Payroll taxes payable and accrued	86,168	35,738
Current portion of long-term debt	<u>161,243</u>	<u>167,417</u>
Total current liabilities	596,021	675,739
Long-term debt, net of current portion	<u>282,940</u>	<u>444,171</u>
Total liabilities	878,961	1,119,910
Net assets:		
Unrestricted	<u>1,637,610</u>	<u>1,418,701</u>
Total liabilities and net assets	<u>\$2,516,571</u>	<u>\$2,538,611</u>

See notes to financial statements

INSTITUTE FOR HUMAN RESOURCES AND SERVICES, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Unrestricted net assets:		
Program revenue:		
Mental Health/Intellectual Disability Program	\$ 6,987,806	\$ 6,622,931
Client room and board	499,996	498,538
Foster care	160,400	111,958
Adoption	440,250	435,250
Other income	<u>43,495</u>	<u>46,484</u>
Total unrestricted revenue	<u>8,131,947</u>	<u>7,715,161</u>
Expenses:		
Program:		
Community living	6,350,829	6,216,529
Foster care	140,858	126,683
Adoption	357,948	336,089
Management and general	<u>1,063,403</u>	<u>987,940</u>
Total expenses	<u>7,913,038</u>	<u>7,667,241</u>
Increase in net assets	218,909	47,920
Net assets, beginning of year	<u>1,418,701</u>	<u>1,370,781</u>
Net assets, end of year	<u>\$ 1,637,610</u>	<u>\$ 1,418,701</u>

See notes to financial statements

INSTITUTE FOR HUMAN RESOURCES AND SERVICES, INC.

STATEMENT OF PROGRAM AND SUPPORTING ACTIVITIES

YEAR ENDED JUNE 30, 2017

	Community Living	Foster Care	Adoption	Total Program	Management and General	Total
Salaries and wages	\$4,119,726	\$ 34,810	\$ 278,173	\$4,432,709	\$ 692,440	\$5,125,149
Employee benefits	1,019,600	1,206	24,256	1,045,062	198,040	1,243,102
Other personnel	134,435	91,268	35,806	261,509		261,509
Total personnel	5,273,761	127,284	338,235	5,739,280	890,480	6,629,760
Operating expenses	854,427	13,574	19,713	887,714	144,964	1,032,678
Fixed asset acquisitions	94,224			94,224	27,959	122,183
Interest	34,737			34,737		34,737
Total expenses before depreciation	6,257,149	140,858	357,948	6,755,955	1,063,403	7,819,358
Depreciation	93,680			93,680		93,680
Total expenses	\$6,350,829	\$ 140,858	\$ 357,948	\$6,849,635	\$ 1,063,403	\$7,913,038

See notes to financial statements

INSTITUTE FOR HUMAN RESOURCES AND SERVICES, INC.
STATEMENT OF PROGRAM AND SUPPORTING ACTIVITIES

YEAR ENDED JUNE 30, 2016

	Community Living	Foster Care	Adoption	Total Program	Management and General	Total
Salaries and wages	\$4,040,413	\$ 47,404	\$ 253,995	\$4,341,812	\$ 641,922	\$4,983,734
Employee benefits	982,255	525	18,209	1,000,989	172,868	1,173,857
Other personnel	146,907	68,011	41,916	256,834		256,834
Total personnel	5,169,575	115,940	314,120	5,599,635	814,790	6,414,425
Operating expenses	835,567	10,467	20,274	866,308	148,404	1,014,712
Fixed asset acquisitions	71,786	267	1,665	73,718	24,746	98,464
Interest	44,588			44,588		44,588
Total expenses before depreciation	6,121,516	126,674	336,059	6,584,249	987,940	7,572,189
Depreciation	95,013	9	30	95,052		95,052
Total expenses	\$6,216,529	\$ 126,683	\$ 336,089	\$6,679,301	\$ 987,940	\$7,667,241

See notes to financial statements

INSTITUTE FOR HUMAN RESOURCES AND SERVICES, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Increase in net assets	\$ 218,909	\$ 47,920
Adjustments:		
Depreciation expense	93,680	95,052
Loss on disposal of assets		1,664
Change in:		
Accounts receivable	(63,988)	74,078
Prepayments	(38,953)	4,795
Accounts payable and accrued expenses	(123,974)	4,706
Payroll taxes payable and accrued	50,430	10,236
 Net cash flows provided by operating activities	 <u>136,104</u>	 <u>238,451</u>
 Net cash flows from investing activities:		
Purchase of fixed assets	<u>(27,817)</u>	<u> </u>
 Net cash flows used in investing activities	 <u>(27,817)</u>	 <u> </u>
 Cash flows from financing activities:		
Repayments of notes payable	<u>(167,405)</u>	<u>(158,588)</u>
 Net cash flows used in financing activities	 <u>(167,405)</u>	 <u>(158,588)</u>
 Net increase (decrease) in cash	 <u>(59,118)</u>	 <u>79,863</u>
 Cash, beginning of year	 <u>349,415</u>	 <u>269,552</u>
 Cash, end of year	 <u>\$ 290,297</u>	 <u>\$ 349,415</u>
 Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 34,737</u>	<u>\$ 44,588</u>

See notes to financial statements

INSTITUTE FOR HUMAN RESOURCES AND SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 1 Nature of activities and significant accounting policies

Nature of activities

The Institute for Human Resources and Services, Inc. (the "Institute") principally provides community living and intermediate care residential housing for individuals with developmental disabilities in Luzerne County. Such services are provided at one MH and twenty-two ID residential sites, as of June 30, 2017, throughout Luzerne County. The MH program and one ID site are funded through Luzerne County MH/DS Program and the remaining are funded through the Pennsylvania Department of Human Services. The Institute also provides a Foster Care program with Luzerne County Children and Youth, Lackawanna County Children and Youth, and Susquehanna County Children and Youth and an Adoption program with Diakon Lutheran Social Ministries.

Basis of presentation

The Institute reports income and expense on the accrual basis of accounting, recognizing the income or expense when it is incurred rather than when it is received or paid; therefore, differences will occur in amounts reported as income by the Institute and the amounts reported as paid by service providers who report on the cash basis.

Income taxes

The Institute has been recognized as exempt from income taxes under the Internal Revenue Code Section 501(c)(3) and similar state statutes and, therefore, has no provision for income taxes. The Institute's open tax years are 2014 through 2017.

Accounts receivable

In the opinion of management, substantially all accounts receivable are collectible in full; therefore, no allowance for doubtful accounts is provided.

Revenue recognition

Revenue is earned, primarily, under contracts with the Luzerne County Mental Health/Developmental Services Program, the Pennsylvania Department of Human Services, Luzerne County Children and Youth, Lackawanna County Children and Youth, Susquehanna County Children and Youth, and Diakon Lutheran Social Ministries. Contracts are both program funded and fee for service.

The fee for service method is based upon an established fee rate for each authorized unit of service rendered to eligible clients. Revenue is recorded as earned as service is rendered.

Use of estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

INSTITUTE FOR HUMAN RESOURCES AND SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

Land, buildings, and equipment

Real property and assets purchased that are over the dollar limits set for expense are capitalized and depreciated using the straight-line method. However, prior to 2009 certain equipment amounts were immediately expensed in accordance with Commonwealth of Pennsylvania regulations. These amounts are not readily determinable.

NOTE 2 Accounts receivable

Accounts receivable are as follows:

	2017	2016
Office of Developmental Programs	\$ 559,657	\$ 505,505
Luzerne County MH/DS	51,385	47,393
Luzerne County Children & Youth	36,711	30,532
Lackawanna County Children & Youth	2,290	80
Adoption	73,500	67,500
Susquehanna County Children & Youth	240	1,200
Clients and miscellaneous	4,381	11,966
	\$ 728,164	\$ 664,176

No significant accounts are deemed to be uncollectible at this time.

NOTE 3 Land, buildings, and equipment

Land, buildings, and equipment consist of the following:

	2017	2016
Land, buildings, and improvements	\$ 2,701,151	\$ 2,673,317
Vehicle	11,488	11,488
	2,712,639	2,684,805
Less: accumulated depreciation	1,303,752	1,210,055
	\$ 1,408,887	\$ 1,474,750

Depreciation expense was \$93,680 in 2017 and \$95,052 in 2016.

INSTITUTE FOR HUMAN RESOURCES AND SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 4 Long term debt

Long term debt is comprised of:

	2017	2016
Mortgage note, payable in monthly installments of \$10,946, including interest at 4.85%, through September 2018; secured by property	\$ 113,272	\$ 235,747
Mortgage note, payable in monthly installments of \$787, including interest at 6.25%, through October 2021; secured by property	29,927	37,217
Mortgage note, payable in monthly installments of \$1,119, including interest at 6.35%, through June 2022; secured by property	48,506	58,454
Mortgage note, payable in monthly installments of \$941, including interest at 6.45%, through April 2023; secured by property	51,059	58,733
Mortgage note, payable in monthly installments of \$886, including interest at 6.45%, through June 2023; secured by property	49,525	56,667
Mortgage note, payable in monthly installments of \$906, including interest at 6.35%, through May 2022; secured by property	45,718	53,378
Mortgage note, payable in monthly installments of \$1,103, including interest at 7.25%, through August 2029; secured by property	106,176	111,392
	444,183	611,588
Less current portion	161,243	167,417
Long-term debt	\$ 282,940	\$ 444,171

INSTITUTE FOR HUMAN RESOURCES AND SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

Maturities of long term debt at June 30, 2017 are as follows:

Year ending June 30,	
2018	\$ 161,243
2019	51,216
2020	54,643
2021	54,067
2022	39,372
Thereafter	83,642
	<u>\$444,183</u>

NOTE 5 Line of credit

The Institute has a line of credit agreement with a bank for \$200,000. There were no borrowings against the line at June 30, 2017 and 2016. The line bears interest at the bank's prime lending rate (4.25% at June 30, 2017) and is due on demand.

NOTE 6 Leases

The Institute leases an administrative office on a year-to-year basis. The related rental expense was approximately \$91,000 in 2017 and 2016. The Institute also has several smaller leases relating to vehicles and office equipment.

NOTE 7 Pension plan

The Institute established a qualified pension plan in 1983. The plan covers substantially all eligible salaried employees after two years of service, minimum of 1,000 hours per year. The plan is solely funded at a rate to be determined yearly by the employer. Retirement plan expense was approximately \$117,000 in 2017 and \$108,000 in 2016.

NOTE 8 Unemployment compensation fund taxes

The Institute elected the "Reimbursement Method" for payment of Pennsylvania Unemployment Compensation Fund taxes. Under this method no payment of taxes is due on a quarterly basis; however, if an employee files a claim for payment of unemployment compensation benefits, the Institute is responsible for reimbursement of the payment to the Unemployment Compensation Fund on a cost basis.

INSTITUTE FOR HUMAN RESOURCES AND SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 9 Concentrations

The Institute maintains cash balances at a financial institution located in Pennsylvania. The Federal Deposit Insurance Corporation (FDIC) insures accounts up to \$250,000 per depositor, per insured bank, for each ownership category. Throughout the year, the balances at this institution may exceed the federally insured limits. Management does not anticipate any losses on the uninsured portions of these balances.

The Institute receives a substantial amount of its revenue from federal, state, and local governments. A significant reduction in the level of this revenue would affect the program activities. Unsecured receivable concentrations are disclosed in Note 2.

NOTE 10 Subsequent events

There were no significant events that occurred subsequent to June 30, 2017 that would require inclusion in the financial statements. Subsequent events were evaluated through February 3, 2018, which is the date the financial statements were available to be issued.

INSTITUTE FOR HUMAN RESOURCES AND SERVICES, INC.

STATEMENT OF ACTIVITIES BY FUNDING BASIS

YEAR ENDED JUNE 30, 2017

	PA Dept of Human Services	Luzerne County MH/DS	Foster Care	Adoption	Owined Homes	Total
MH/ID reimbursement	\$ 6,690,236	\$ 297,570				\$6,987,806
Client room and board	474,736	25,260				499,996
Other program service fees			\$160,400	\$ 440,250		600,650
Other income	41,518	1,950		27		43,495
Total revenue	7,206,490	324,780	160,400	440,277		8,131,947
Wages and salaries	3,955,497	164,229	34,810	278,173		4,432,709
Employee benefits	973,139	46,461	1,206	24,256		1,045,062
Miscellaneous personnel	128,333	6,102	91,268	35,806		261,509
Operating expenses	817,353	37,074	13,574	19,713		887,714
Purchase of fixed assets	92,514	1,710				94,224
Interest					\$ 34,737	34,737
Administrative expenses	943,938	46,069	11,487	61,909		1,063,403
Depreciation	89,951	3,729				93,680
Total expenses	7,000,725	305,374	152,345	419,857	34,737	7,913,038
Excess (deficit) of revenue over expenses	\$ 205,765	\$ 19,406	\$ 8,055	\$ 20,420	\$ (34,737)	\$ 218,909

Note: Program function expenses include certain administrative expenses as these expenses are allocable to programs for reimbursement purposes under applicable cost reporting regulations.

INSTITUTE FOR HUMAN RESOURCES AND SERVICES, INC.

UNITS OF SERVICE REPORT

FOR THE YEAR ENDED JUNE 30, 2017

<u>PROGRAM</u>	<u>TOTAL</u>
<u>N.WASHINGTON</u>	
0801378414	364
6803002275	22
4701331904	75
4001601659	365
6601987222	368
	<u>1,184</u>
<u>DAWES AVE</u>	
0016045098	357
0301737565	365
0028203347	350
	<u>1,072</u>
<u>HANOVER</u>	
1401006364	320
0024091415	356
0029054558	365
0029121977	335
3601660107	3
	<u>1,379</u>
<u>CAREY AVE.</u>	
0017561655	362
0020602249	365
0028903797	365
	<u>1,092</u>
<u>PARK ST</u>	
8401184141	363
4701201719	365
0020493771	361
0020970695	365
	<u>1,454</u>
<u>DALLAS</u>	
9900102360	365
3201011067	359
2800054922	365
2001196514	344
5101669819	337
	<u>1,770</u>
<u>FORTY FORT</u>	
0011980307	365
0013151964	365
0016887374	365
	<u>1,095</u>
<u>MATSON AVE</u>	
0022981039	331
0025691049	365
0028326451	365
5800103730	365
	<u>1,426</u>
<u>AUSTIN AVE</u>	
0017658808	5
3201520107	361
5801331397	365
5401620686	300
	<u>1,031</u>

INSTITUTE FOR HUMAN RESOURCES AND SERVICES, INC.

UNITS OF SERVICE REPORT

FOR THE YEAR ENDED JUNE 30, 2017

BURKE ST

4900060841	333
0014576953	355
0023759525	365
	<u>1,053</u>

LYNDWOOD AVE

0014691000	361
0301553897	365
0023686498	365
	<u>1,091</u>

OAK STREET

3501300861	345
1101381331	365
4401381787	365
	<u>1,075</u>

COOK ST

7600009554	361
0016731036	362
3401662261	365
	<u>1,088</u>

HILLSIDE

1704598821	16
1901403434	1
3001209471	9
9001398974	22
2301113557	1
6803002275	74
0024091415	5
0018804898	332
5401620686	43
8201311928	365
0024535429	365
	<u>1,233</u>

STANTON

2801428281	149
1876828509	122
0017658808	344
1001452827	365
6801666501	365
6401081358	1
0027575406	3
	<u>1,349</u>

NEW ALEX.

0015972169	359
8201667873	68
0015631773	96
0026250613	365
	<u>888</u>

WARSAW

2101076079	301
0011965217	365
0012805610	353
9701452089	365
	<u>1,384</u>

SUGAR NOTCH

1876837756	365
0016955460	364
0015892979	161
4100266040	137
	<u>1,027</u>

INSTITUTE FOR HUMAN RESOURCES AND SERVICES, INC.

UNITS OF SERVICE REPORT

FOR THE YEAR ENDED JUNE 30, 2017

GOODWIN

0027097716	365
0023080525	2
9001360289	16
0021923024	357
0017692559	260
	<hr/>
	1,000

PLAINS

7901016787	359
6301570682	365
0023585334	365
	<hr/>
	1,089

BOLAND

4201518513	365
0016468647	365
4101937235	365
	<hr/>
	1,095

PLYMOUTH

5901043702	364
5401173330	82
0025094681	365
4100266040	228
2400058422	365
	<hr/>
	1,404

BRESLAU

0011223310	346
401-35309	347
0018924068	359
6000088309	365
	<hr/>
	1,417

27,696



**Kronick
Kalada
Berdy & Co.**
A Professional Corporation

Certified Public Accountants

Officers/Shareholders

William R. Lazor, CPA/PFS, CFE
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Jason C. Williams, CPA

Donald M. Kronick, CPA
Joseph J. Kalada, CPA
Paul Berdy, CPA

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

Board of Directors
Institute for Human Resources and Services, Inc.
Kingston, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Institute for Human Resources and Services, Inc. (the "Institute"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, program and supporting activities, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated February 3, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Institute's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of the Institute's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Institute's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kronick Kalada Berdy & Co. PC

Kingston, Pennsylvania
February 3, 2018